

VA Financial Policies and Procedures
Quarterly Financial Statements

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0301 OVERVIEW

The Department of Veterans Affairs (VA) is required to prepare and submit to the Office of Management and Budget (OMB) three quarterly and interim unaudited financial statements, the Trial Balance, Statement of Net Costs and Statement of Budgetary Resources, without notes. This requirement is in addition to the reports submitted to OMB for the purpose of monitoring budget execution. The content and form are prescribed by OMB Circular A-136 for annual¹ and quarterly reporting.

This chapter provides the policies and procedures relating to the preparation and submission of VA's quarterly financial statements. The policies and procedures conveyed herein stress the need for strict adherence to the prescribed submission dates, since these submissions affect various VA reporting requirements.

0302 POLICIES

030201 VA's quarterly financial statements will include all accounts under VA's control, including appropriation, trust, special and revolving funds.

030202 VA's quarterly financial statements must be prepared under an effective system of internal control from the balances derived from VA's General Ledger, commonly referred to as the Financial Management System (FMS), in accordance with the United States Government Standard General Ledger ([USSGL](#)) requirements.

030203 VA's quarterly financial statements must be prepared in accordance with generally accepted accounting principles ([GAAP](#)) and the form and content requirements of [OMB Circular A-136, Financial Reporting Requirements](#). GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board ([FASAB](#)), which is the official standard-setting body for the Federal government.

030204 VA's quarterly financial statements will be supported by adequate documentation, including crosswalks.

030205 VA's quarterly financial statements will be prepared on a consistent basis from period to period. Where significant changes are made in accounting classifications or other concepts underlying them that significantly impair comparability, the effects of the changes will be disclosed.

030206 Much of the substantive testing performed by VA's financial statement auditors will be accomplished around the quarterly statements and the underlying documentation. VA will create footnotes as of June 30.

¹ For additional information on year end (4th quarter) annual reporting guidance, refer to [VII Ch 2 Consolidated Financial Statements, dated June 2012](#).

0303 AUTHORITY AND REFERENCES

- 030301 [Chief Financial Officers Act of 1990, Public Law 101-576](#)
- 030302 [OMB Circular A-123, Management's Responsibility for Internal Control](#)
- 030303 [OMB Circular A-127, Financial Management Systems](#)
- 030304 [OMB Circular A-136, Financial Reporting Requirements - Revised](#)
- 030305 [Federal Accounting Standards Advisory Board \(FASAB\) Pronouncements](#)

0304 ROLES AND RESPONSIBILITIES

030401 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Specific responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

030402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chief Accountants, and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

030403 CFOs within the Veterans Health Administration (VHA), Veterans Benefits Administration (VBA) and National Cemetery Administration (NCA), Fiscal Officers and Accounting Chiefs will submit all requisite information to the Office of Finance (OF) to support the preparation and submission of the quarterly financial statements, including analysis of variances with prior period financial statement data. This information will be submitted in accordance with the quarterly closing timelines provided by OF. In addition, the CFOs will certify (see Appendix B) that their respective Administration quarterly financial statements are prepared in accordance with Federal GAAP and OMB guidance and the trial balances in Management Information Exchange (MINX) accurately recorded the underlying transactions in conformance with the specific requirements of the Department of the Treasury (Treasury) guidance including intragovernmental transactions.

030404 OF is responsible for all external financial reporting and provides guidance and timelines to agency CFOs, Fiscal Officers and Accounting Chiefs on the steps needed to complete the quarterly financial statements.

0305 PROCEDURES

030501 To ensure the accuracy of the quarterly financial statements, OF will:

- A. Develop and implement a schedule (see Appendix A) to manage the preparation of the quarterly financial statements to ensure that it incorporates all required information and meets completion timeframes.
- B. Ensure the data comprising the quarterly financial statements is drawn from the information contained in FMS and the MINX reporting system.²
- C. Require that adequate work papers and documentation are prepared and maintained to support the flow of numbers from FMS and the MINX.³
- D. Document all adjustments to amounts derived from FMS and obtain explanations of significant variances noted.
- E. Reconcile internal records with data from outside sources, such as reports from Treasury, in a timely manner.
- F. Review the numbers for reasonableness, including a comparison against prior-year amounts and analyze and document all significant variances.

030502 VA will submit the quarterly financial statements to OMB no later than 21 days after the end of each of the first three quarters of each fiscal year.

030503 VA will prepare the following quarterly statements in accordance with the form and content requirements of OMB Circular A-136⁴:

- A. Consolidated Balance Sheet, as of the last day in each applicable quarter.
- B. Consolidated Statement of Net Cost, for the period through the last day in each applicable quarter.

²MINX is a Hyperion-based reporting system that automates the preparation of VA's financial statements. MINX maintains an interface from FMS.

³Manual entries in MINX need to be reviewed to ensure they are reflected in the statements.

⁴ *New OMB Circular A-136 Annual reporting requirement* - For Fiscal Year 2012, Sections I and II of the Schedule of Spending (SOS) are required to be included in the PAR, Part IV; Other Accompanying Information and Sections III and IV are optional. For Fiscal Year 2013, sections III and IV will be mandatory as well as comparative schedules for FY2012 vs. FY2013. To view this schedule and new reporting requirements, refer to OMB Circular A-136, *Financial Reporting Requirements*, dated August 3, 2012.

http://www.whitehouse.gov/sites/default/files/omb/assets/omb/circulars/a136/a136_revised_2012.pdf

C. Combined Statement of Budgetary Resources, for the period through the last day in each applicable quarter.

030504 VA will perform a quarterly Analysis of Significant Variances (“Fluctuation Analysis”) as a means of implementing an effective system of internal control over financial reporting. This process requires VA to compare the current financial statements to the financial statements for the same accounting period from a prior year to understand significant changes that may have occurred. These significant changes are then analyzed and explained prior to their publication. This analysis can point out accounting errors, such as the failure to complete an adjusting or closing journal voucher or changes in accounting practices.

030505 VA must submit results of the above variance analysis to OMB as a separate component of its quarterly financial statement submission. If a quarterly financial statement submission does not have significant variances between the comparative periods, this should be noted in the file that would otherwise contain the analysis.

030506 VHA, VBA and NCA CFOs will assist OF with the analysis and explanation of any significant variances that relate to their areas of stewardship.

030507 VA must ensure the agency-wide, combined Report on Budget Execution and Budgetary Resources (SF-133)⁵ agrees with its Statement of Budgetary Resources (SBR). To accomplish this task, VA must perform the following:

- A. Compare the current quarter’s SBR and the comparable quarter’s agency-wide SF-133. For hard copies of the Departmentwide SF-133, forward requests to OF.
- B. Prior to completing the quarterly financial statements, VA must perform an analysis of significant differences between the current quarter’s unaudited SBR and the current quarter’s Departmentwide SF-133. VA must provide an explanation for the differences between the SBR and SF-133 for comparable line items related to budgetary resources, obligations and outlays.
- C. Submit its explanation of material differences to OMB, using the format in Circular A-136 within *45 days* after the end of each quarter. If VA does not have material differences for a given quarter, it must submit the same format but indicate that there are no material differences.

⁵ Per Treasury FMS, the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) implementation date has been changed from December 2012 for FY 2013 reporting to December 2013 for FY 2014 reporting.

0306 DEFINITIONS

030601 Balance Sheet. Presents, as of a specific time, amounts of future economic benefits owned or managed by the reporting entity (assets), amounts owed by the entity (liabilities) and amounts that comprise the difference (net position).

030602 Report on Budget Execution and Budgetary Resources (SF-133). Fulfills the requirement in [31 U.S.C. 1511-1514](#) that the President review Federal expenditures at least four times a year. Prepared at the individual appropriation level, an agency-wide SF-133 should generally agree with the Statement of Budgetary Resources.

030603 Significant Variance. The measure of materiality regarding financial statement differences between current year and prior year for the same period of time (e.g., first quarter FY 2012 vs. first quarter FY 2011). The following significant variances are a general guide for this type of analysis:

- Balance Sheet – 10% change from year to year and \$100 million
- Statement of Net Cost – 10% change and \$50 million
- Statement of Budgetary Resources – 10% and \$100 million
- Statement of Changes in Net Position – 10% and \$100 million.

030604 Statement of Budgetary Resources (SBR). This statement and related disclosures provide information about how budgetary resources were made available as well as their status at the end of the period.

030605 Statement of Net Cost. This statement is designed to show separately the components of the net cost of the reporting entity's operations for the period. The statement and any related supporting schedules classify revenue and cost information by suborganization or responsibility segment. For VA, the Statement of Net Cost is reported at the Administration level.

0307 RESCISSIONS

030701 OFP Volume VII, Chapter 3, *Quarterly Financial Statements*, August 2009

0308 QUESTIONS

Questions concerning these financial policies and procedures should be directed to:

VHA	VHA CFO Accounting Policy (10A3A) (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
All Others	OFP Accounting Policy (Outlook)

0309 REVISIONS

Section	Revision	Office	Effective Date
030403	Updated paragraph: included period f/s data; certification requirement for Administrations	APPS (047GA)	January 2013
030501	Sample quarterly closing schedule added as an appendix	APPS (047GA)	January 2013
030503	New Schedule of Spending (SOS) reporting requirement added as a footnote	APPS (047GA)	January 2013
030504	Paragraph reworded	APPS (047GA)	January 2013
030507	GTAS implementation update added to footnote	APPS (047GA)	January 2013
030603	Minor update to provided example - changed fiscal years - consistency	APPS (047GA)	January 2013
030605	Revised definition of Statement of Net Cost	APPS (047GA)	January 2013
Appendix A	Added Appendix A: Sample Third Quarter FY 2012 Closing Schedule	APPS (047GA)	January 2013
Appendix B	Added Appendix B: Quarterly Financial Statements Certification	APPS (047GA)	January 2013

APPENDIX A: THIRD QUARTER FY 2012 CLOSING SCHEDULE

		Financial Statement Footnotes		Date Due	Date Receiv ed	Date Due
		Contact				
		Point		to OFF*		to CG
Note 1	Summary of Significant Accounting Policies (Overall)	Jennie B.	Non-MinX	7/20/12		7/30/12
	Contractual Adjs. and Bad Debt Allow. %- medical related	Tim O./ Irene I.	Non-MinX	7/20/12		7/30/12
	Bad Debt Allowances - education and comp and pension	Rodney D./ Sharon W.	Non-MinX	7/20/12		7/30/12
Note 2	Non-Entity Assets	Hien D.	MinX	7/20/12		7/30/12
Note 3	Fund Balances with Treasury	Hien D.	MinX	7/20/12		7/30/12
Note 4	Cash	Hien D.	MinX	7/20/12		7/30/12
Note 5	Investments	Hien D.	Partial MinX	7/20/12		7/30/12
Note 6	Accounts Receivable	Noah H.	Partial MinX	7/20/12		7/30/12
Note 7	Direct Loans and Loan Guarantees	Rodney D./ Sharon W.	Partial MinX	7/20/12		7/30/12
Note 8	Inventory	Noah H.	MinX	7/20/12		7/30/12
Note 9	General Property, Plant and Equipment	Gary F.	MinX	7/20/12		7/30/12
Note 10	Heritage Assets	AnnMarie W.	Non-MinX	7/20/12		7/30/12
Note 11	Debt	AnnMarie W.	MinX	7/20/12		7/30/12
Note 12	Liabilities Not Covered by Budgetary Resources	AnnMarie W.	MinX			
Note 13	Federal Employee and Veterans Benefits	Noah H. / Bob R.	MinX	7/20/12		7/30/12
Note 14	Environmental and Disposal Liabilities	Jennie B.	MinX	7/20/12		7/30/12
Note 15	Other Liabilities	Hien D.	MinX	7/20/12		7/30/12
Note 16	Leases	Jennie B.	Non-MinX	7/20/12		7/30/12
Note 17	Insurance Programs	Maryann Stupka./Leonard G.	Non-MinX	7/20/12		7/30/12
Note 18	Commitments & Contingencies	Jennie B.	Non-MinX	7/20/12		7/30/12
Note 19	Earmarked Funds	AnnMarie W.	MinX	7/20/12		7/30/12
Note 20	Exchange Transactions (Overall)	Jennie B.	Non-MinX	7/20/12		7/30/12
	NCA Activity	Barbara N./Greg DeLozier	Non-MinX	7/20/12		7/30/12
	Loan Guaranty Activity	Rodney D.	Non-MinX	7/20/12		7/30/12
Note 21	Net Program Costs by Administration	Noah H.	Non-MinX	7/20/12		7/30/12
Note 22	Disclosures Related to the Statements of Budgetary Resources, Borrowing Authority, - VBA	Sharon W./Rodney Davis	Partial MinX	7/20/12		7/30/12
Note 23	Reconciliation of Net Cost of Operations to Budget	Noah H.	MinX	7/20/12		7/30/12
Note 24	Reclassifications	Noah H.	Non-MinX	7/20/12		7/30/12
RSI/RSSI	All Sections	AnnMarie	Partial MinX	7/20/12		7/30/12
	Schedule of Spending	Rob W./Christian P.	MinX	7/20/12		7/30/12

* "No extensions will be granted"

APPENDIX B: QUARTERLY FINANCIAL STATEMENTS CERTIFICATION

Memorandum

Department of Veterans Affairs

Date: _____

From: Administration CFO, VACO or Other office CFO

Subject: FY 201_ QTR _ Financial Statement Certification

To: Office of Financial Policy (047GB)

The following representations are presented in connection with the preparation of Department of Veterans Affairs consolidated financial statements and analytics for the period ended _____.

- a. The MINX trial balances of the funds under my purview accurately recorded the underlying transactions and reflect accurate account balances.
- b. The intragovernmental trading partner information recorded in the MINX trial balance is accurate and in conformance with Treasury Financial Manual Bulletin No 2011-4.
- c. The quarterly financial statements produced from MinX are supported by adequate documentation and analysis of significant variances.
- d. The quarterly financial statements are prepared on a consistent basis from period to period. Where significant changes are made in accounting classifications or other concepts underlying them that significantly impair comparability, the effects of the changes will be disclosed.
- e. Specific exceptions to this certification are attached.

I confirm, to the best of my knowledge and belief, that I am satisfied that these statements are accurate, complete, and comply to the extent applicable with [OMB Circular A-136, Financial Reporting Requirements](#), and the U.S. Department of the Treasury and the Department of Veterans Affairs financial policies and related procedures.

Name

Date